

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U 338-E) for a Certificate of Public Convenience and Necessity Concerning the Devers-Palo Verde No. 2 Transmission Line Project.

Application 05-04-015
(Filed April 11, 2005)

Order Instituting Investigation on the Commission's Own Motion into Methodology for Economic Assessment of Transmission Projects.

Investigation 05-06-041
(Filed June 30, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING
SETTING PREHEARING CONFERENCE AND
ADDRESSING PROCEDURAL MATTERS**

I. Summary

A prehearing conference (PHC) will be held at 1:00 p.m., on July 20, 2005, to discuss the scope, procedural schedule, and coordination of Application (A.) 05-04-015 and Investigation (I.) 05-06-041. Parties may file PHC statements no later than July 18, 2005, as provided in this Administrative Law Judge's (ALJ) ruling. This ruling also addresses service and mailing lists, discovery, and other procedural matters for the two proceedings.

II. Background

In A.05-04-015, Southern California Edison Company (SCE) seeks a certificate of public convenience and necessity authorizing construction of the Devers-Palo Verde No. 2 (DPV2) transmission line project. The DPV2 project

would be a 230-mile, 500 kilovolt (kV) alternating current transmission line between California and Arizona. DPV2 would connect SCE's existing Devers substation near Palm Springs, California to the existing Harquahala Generating Company switchyard located approximately 49 miles west of Phoenix, Arizona. Generally, the proposed route between Devers and Harquahala runs parallel to SCE's existing Devers-Palo Verde No. 1 (DPV1) transmission route. Of the proposed 230-mile route, 128 miles are in California and 102 miles are in Arizona. Additionally, upgrades would be required to four of SCE's 230 kV transmission lines within California and to certain existing electrical transmission facilities in California and Arizona. The four lines requiring upgrades are located within an existing 47-mile transmission corridor from Devers to SCE's San Bernardino and Vista substations, which are located approximately two miles from the City of San Bernardino.

In conjunction with its application, SCE filed its Proponent's Environmental Assessment. The Commission will conduct an environmental review of the proposed project pursuant to the California Environmental Quality Act (CEQA) and will examine alternatives, including the "No-Project" alternative. The Commission's Energy Division will perform the environmental review. The Commission and the Bureau of Land Management (BLM) have signed a Memorandum of Understanding to prepare a joint Environmental Impact Report/Environmental Impact Statement (EIR/EIS) in compliance with CEQA and the National Environmental Protection Act (NEPA), with the Commission as State co-lead and BLM as federal co-lead. The EIR/EIS will be an informational document, with its analysis available to the Commission and to parties in the proceeding. On May 11, 2005, Energy Division issued a deficiency notice to SCE. SCE is expected to reply to the deficiency notice by July 11, 2005.

At this time, SCE's application has not been deemed complete for environmental review purposes.

The Commission issued a preliminary finding in Resolution ALJ 176-3151, issued on April 21, 2005, that the category for A.05-04-015 is ratesetting and that hearings are necessary. Until the Assigned Commissioner issues a scoping memo, the *ex parte* rules as set forth in Rule 7(c) of the Commission Rules of Practice and Procedure (Rules) apply to A.05-04-015. In addition to specifying the standards relevant to *ex parte* communications, Rule 7(c) requires parties to report *ex parte* communications as specified in Rule 7.1.

In A.05-04-015, the following entities submitted timely filed protests and requests for hearing that have been formally filed with the Commission: the Office of Ratepayer Advocates, the City of Los Angeles Department of Water and Power, Chafin Farms, Granite Construction Company, and 3M Composite Conductor Program. In addition, the Commission has received several letters regarding the proposed project that do not meet the formal filing requirements in Article 2 of our Rules. I have reviewed all of the letters and have placed them in the correspondence file of A.05-04-015. Copies of the letters are being circulated to Commissioners and relevant Commission staff. On May 25, 2005, SCE filed a consolidated reply which responded to the formally filed protests and to several of the letters.

On June 30, 2005, the Commission opened I.05-06-041 to consider appropriate principles and methodologies for assessment of the economic benefits of transmission projects, including DPV2, that are submitted for Commission approval. As established in the Order Instituting Investigation (OII), I.05-06-041 will be coordinated, to the extent appropriate, with A.05-04-015.

In the OII, the Commission classified I.05-06-041 as ratesetting and found that hearings are necessary. As established in the OII, Rules 7(c) and 7.1 regarding *ex parte* communications apply to I.05-06-041.

IV. Prehearing Conference

The Commission will hold a joint PHC in A.05-04-015 and I.05-06-041 at 1:00 p.m., on Wednesday, July 20, 2005, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California. At the PHC, we will discuss the scope and procedural schedule for A.05-04-015 and I.05-06-041. The Commission will also take appearances and develop an official service list for the two proceedings.

In addition to environmental issues, A.05-04-015 raises other non-environmental issues for the Commission's consideration, including the need for the project and ratemaking issues. SCE supports its application, in large part, with an evaluation of DPV2's economic benefits, which SCE states is consistent with the Transmission Economic Assessment Methodology (TEAM) developed by the California Independent System Operator (CAISO).

The OII initiating I.05-06-041 notes that, in considering SCE's proposed DPV2 project, CAISO staff performed an independent assessment of DPV2 using the TEAM approach. The OII identifies that the scope of I.05-06-041 shall include, but not be limited to, the following issues:

- What general principles or methodologies should be employed in assessing the economic benefits of transmission projects within the Commission's jurisdiction?
- Is the CAISO's TEAM approach a reasonable methodology for assessing the economic benefits of transmission projects?

- What validation is needed by the Commission in order to rely on a CAISO assessment of need in a Commission transmission project certification proceeding? If the Commission determines in a transmission project certification proceeding that a CAISO assessment of need has been adequately validated, are there additional requirements that must be met in the Commission's determination of economic benefits? For those transmission project certification cases where there is no validated CAISO assessment of need, what requirements should the Commission adopt for consideration of economic benefits?

In addition to the scope of the proceedings, we will discuss at the PHC the manner and extent to which A.05-04-015 and I.05-06-041 will be coordinated. As the OII provided, the Commission's investigation regarding the appropriate methodology for assessment of the economic benefits of transmission projects will be undertaken while an environmental assessment of the DPV2 project is underway in A.05-04-015. Consistent with that guidance, I suggest that evidence regarding DPV2 be received in two phases. Phase 1 would address economic methodology and need issues, with testimony to be received and evidentiary hearings to be held on a consolidated basis with I.05-06-041. Phase 2 in A.05-04-015 would address environmental and routing issues related to DPV2, with evidentiary hearings after the Draft EIR/EIS is released. Phase 1 issues would be addressed through one or more interim decisions or in a decision following Phase 2 hearings in A.05-04-015.

Energy Division anticipates that the Draft EIR/EIS will be released on approximately May 1, 2006. Consistent with the guidance in the OII and the environmental review schedule envisioned by Energy Division, I have prepared the following preliminary schedule for the two proceedings, for parties' review and for discussion during the PHC:

A.05-04-015, I.05-06-041 CFT/sid

A.05-04-015 filed	April 11, 2005
Deficiency notice to SCE	May 11, 2005
I.05-06-041 adopted	June 30, 2005
SCE response to deficiency notice	July 11, 2005
Joint PHC	July 20, 2005
Joint Scoping Memo	August 10, 2005
A.05-04-015 deemed complete	August 11, 2005
Notice of Preparation (CEQA)/Notice of Intent (NEPA) issued	August 25, 2005
CEQA scoping meetings and agency meetings	September 2005
Phase 1 (A.05-04-015 and I.05-06-041) SCE supplemental direct testimony and CAISO, PG&E, and SDG&E direct testimony	September 7, 2005
All other Phase 1 direct testimony	October 19, 2005
Concurrent Phase 1 rebuttal testimony	November 23, 2005
Phase 1 evidentiary Hearings	December 5 – 16, 2005, as necessary
Concurrent Phase 1 opening briefs	January 20, 2006
Concurrent Phase 1 reply briefs and submission of Phase 1 record	February 10, 2006
Draft EIR/EIS released	May 1, 2006
Public participation hearings during 60-day Draft EIR/EIS review period	Mid-May to mid-June, 2006
Phase 2 (A.05-04-015 only) SCE supplemental direct and other parties' direct testimony	June 1, 2006
Concurrent Phase 2 rebuttal testimony	June 30, 2006
Phase 2 evidentiary hearings	July 10 – 14, 2006 as

	necessary
Concurrent Phase 2 opening briefs	Early August 2006
Final EIR/EIS released	August 11, 2006
Concurrent Phase 2 reply briefs and submission of Phase 2 record	Late August 2006

Proposed Decision on CPCN/certifying final EIR	November 2006
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Commission Decision on CPCN/certifying Final EIR	December 2006
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This preliminary schedule does not reflect any interim decisions that may be issued in Phase 1. The Assigned Commissioner will rule on the schedule and scoping memo for these proceedings following the PHC.

III. PHC Statements

Interested parties may file PHC statements, if so desired, no later than July 18, 2005, and should serve these statements on the initial service list for A.05-04-015 and the temporary service list for I.05-04-041. The parties should also serve their PHC statements on the Assigned Commissioner (Commissioner Dian Grueneich) and the assigned ALJ. Parties filing PHC statements should bring 25 extra copies to the PHC. Parties are encouraged to meet and confer prior to the PHC and to file joint statements to the extent feasible.

What I would find most useful in preparing for the PHC are statements that address the following items:

1. Identification of substantive issues not identified in this ruling that parties believe should be within the scope of the proceedings.
2. Timing and coordination of testimony, evidentiary hearings, and public participation hearings, including comments on the preliminary schedule contained in this ruling and any suggested modifications.
3. Discussion of any other procedural issues necessary to address for a prompt resolution of these proceedings.

As provided in the OII, parties may state in their PHC statements any objections to the OII regarding the need for hearing, issues to be considered, or schedule.

IV. Service and Mailing Lists

Two separate lists will be maintained related to these proceedings: a combined official service list for A.05-04-015 and I.05-06-041 and an environmental review mailing list for A.05-04-015.

The temporary service list for I.05-06-041 was attached to the OII. All persons and organizations that formally filed a protest or submitted a letter regarding DPV2 have been placed on the temporary service list for I.05-06-061 and on the initial service list for A.05-04-015. Both of these lists are posted on the Commission's web site at www.cpuc.ca.gov.¹ An electronic copy of the service lists may also be obtained from the Commission's Process Office. The Process Office may be contacted by telephone at (415) 703-2021, by mail at the California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, or electronically at ALJ_Process@cpuc.ca.gov.

At the PHC, we will develop the official service list for the two proceedings, which will replace the temporary service list for I.05-06-041 and the initial service list for A.05-04-015 and will be posted on the Commission's web site as soon as practicable. Persons wanting to be included in the service list should take additional steps even if their names are on the temporary service list

¹ The temporary service list for I.05-06-041 attached to the OII includes all names on the initial service list for A.05-04-015 as of June 30, 2005.

for I. 05-06-041 and/or the initial service list for A.05-04-015. The service list will have three categories: Appearances, State Service, and Information Only.

Persons seeking to become a party in these proceedings should at the PHC and fill out an appearance form. To determine who should be granted party status, I will question each person regarding the planned level of participation. Persons who demonstrate a plan to actively participate in the evidentiary proceeding through presentation of testimony, cross-examination, or submission of briefs will be granted party status and will be listed as Appearances on the service list. Appearances should be served with all documents parties submit in connection with the evidentiary proceeding.

State employees who are not Appearances will be placed on the State Service portion of the service list either by appearing at the PHC or the evidentiary hearing and filling out an appearance form, or by sending a request to the Commission's Process Office requesting that they be added to the State Service portion of the service list. All of the names appearing on the State Service portion of the service list should be served with all documents that parties may submit or file in connection with the evidentiary proceeding.

Persons who do not want to be parties and only want notice of hearings, rulings, proposed decisions, and decisions issued by the Commission may either appear at the PHC or the evidentiary hearing and fill out an appearance form, or may send a written or electronic request to the Process Office asking to be added to the Information Only portion of the service list.

Parties on the official service list should notify the Process Office of any address changes or if they wish to be removed from the service list. Any other problems or questions about the service list should be brought to the attention of

the assigned ALJ. The service list will be updated in accordance with the described procedures.

In addition to the official service list, the Energy Division will maintain a separate environmental review mailing list for A.05-04-015. All persons who filed protests or submit correspondence to the Commission regarding DPV2 will be placed on the Energy Division's environmental review mailing list. For additions or changes to the environmental review mailing list, please contact the Energy Division Project Hotline at (800) 886-1888 or by e-mail at dpv2@aspeneg.com. All persons on the environmental review mailing list will be notified of environmental review activities, including public scoping meetings. All parties on the official service list and the environmental review mailing list will be notified of the public participation hearings.

To summarize, if your interest in this proceeding relates to the preferred route of SCE's proposed DPV2 project, development of alternatives to the proposed project, or other aspects of the environmental review of this project, you should ask to be on the environmental review mailing list. If you plan to participate in or want information regarding the evidentiary hearing, whether on environmental, routing, or other issues, you should ask to be on the official service list for A.05-04-015 and I.05-06-041.

The Commission's new electronic service rules apply to A.05-04-015 and I.05-06-041. Parties serving documents in these proceedings should follow Rules 2.3 and 2.3.1. Consistent with the OII, any documents served on the ALJ and Assigned Commissioner's office should be both by e-mail and by delivery or mailing a paper format copy of the document.

V. Assistance in Participation in Commission Proceedings

The Commission has a Public Advisor who can assist persons who have questions about the Commission's decisionmaking process and how to participate in Commission proceedings. You can contact the Public Advisor's office by mail at the California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102 or by e-mail at public.advisor@cpuc.ca.gov. The toll free telephone number is 866-849-8390.

VI. Discovery

Parties may commence discovery at any time. Parties should raise any discovery disputes according to the procedure outlined in Resolution ALJ-164, which is available on the Commission's web site at the following link:

www.cpus.ca.gov/PUBLISHED/FINAL_RESOLUTION/2538.HTM

Therefore, **IT IS RULED** that:

1. Until the Assigned Commissioner rules on the scoping memo, the *ex parte* rules as set forth in Rule 7(c) of the Commission Rules of Practice and Procedure (Rules) apply to Application (A.) 05-04-015.
2. The Commission will hold a prehearing conference (PHC) in A.05-04-015 and Investigation (I.) 05-06-041 at 1:00 p.m., Wednesday, on July 20, 2005, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.
3. Interested persons may file PHC statements, as more fully set forth above, no later than July 18, 2005. Parties shall serve these statements on the temporary service list in I.05-06-041 and on the initial service list in A.05-04-015, as well as on the Assigned Commissioner and assigned Administrative Law Judge (ALJ) and bring 25 extra copies of their PHC statements to the PHC.

4. Parties serving documents in A.05-04-015 and/or in I.05-06-041 shall comply with Rule 2.3 and Rule 2.3.1 regarding electronic service. Any document served on the Assigned Commissioner and ALJ shall be both by e-mail and by delivery or mailing a paper format copy of the document.

5. A service list for A.05-04-015 and I.05-06-041 shall be created by the Commission's Process Office and posted on the Commission's Website (www.cpuc.ca.gov) as soon as it is practicable after the PHC. Parties may also obtain the service list by contacting the Process Office.

6. Persons interested in these proceedings shall follow the procedures described in this ruling to get on the service list and/or the environmental review mailing list.

Dated July 8, 2005, at San Francisco, California.

/s/ CHARLOTTE F. TERKEURST

Charlotte F. TerKeurst
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties for whom an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Setting Prehearing Conference and Addressing Procedural Matters on all parties of record in this proceeding or their attorneys of record.

Dated July 8, 2005, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074,

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TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.